



Employee Share Ownership
Australia & New Zealand

Employee Ownership Australia Limited (ABN 40 152 310 266) * GPO Box 2649 Sydney NSW 2001 * Phone 02 9817 8586 *

Date: 5th January, 2016

To: Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senators

Given our role in encouraging and assisting new forms of business ownership in this country - including community owned social businesses - Employee Ownership Australia Ltd would like to submit the following to the “Inquiry into the provisions of the Corporations Amendment (Crowd-sourced Funding) Bill 2015”.

Employee Ownership Australia Ltd (EOA) was formed in 2012 to ensure that there is a voice for broad based employee ownership and dynamic workplace participation in Australian companies. EOA is a member based organisation focused on engaging with and helping companies that have, or want to implement, employee ownership or employee share plans within their businesses, or to utilise other forms of community or stakeholder ownership.

EOA is independent, bi-partisan and is entirely member funded.

EOA hosts the Social Enterprise Legal Models Working Group (LMWG) which has been looking into the legal aspects of facilitating both CSEF and community shares on the same ‘cost and complexity’ reduced basis as is available in some other developed economies.

EOA is also a member of the Business Council of Cooperatives and Mutuals (BCCM – www.bccm.coop). The BCCM will shortly have a platform available for community share issues which will be operating within the terms of the Cooperative Acts applying in each State.

As Co-ordinator of the LMWG, EOA has sponsored two articles in support of each of the topics above – CSEF and community shares - which have been published recently in the leading community sector magazine “Pro Bono News”.

The links to these two articles are:

1. “Crowd sourced equity – a new source of funding for social enterprise” at:
<http://www.probonoaustralia.com.au/news/2015/08/crowd-sourced-equity-funding-%E2%80%93-new-funding-source-social-enterprise#> .

2. “Community shares funding social enterprise” at:
<http://www.probonoaustralia.com.au/news/2015/08/community-shares-funding-social-enterprise> .

EOA supports the thrust of the arguments in these two published opinion pieces (authored in each case by myself).

The data used in the articles was sourced from the Nesta UK report “Understanding Alternative Finance” which you can see at:
<https://www.nesta.org.uk/sites/default/files/understanding-alternative-finance-2014.pdf> .

This report surveys the nine new forms of finance becoming available, including both crowd sourced equity and community shares. This report is recommended to the Enquiry as a key source of case studies and evidence on the issues that CSEF policy making is addressing.

As an example of a current “community share offer”, it would be worthwhile to consider that of Enova Community Energy Ltd at:
http://www.enovaenergy.com.au/investors/?utm_source .

Enova Community Energy is a new community owned energy retailer based on the North Coast of NSW, incorporated as a public company but structured governance-wise like a cooperative (one member, one vote etc). See:
<http://www.enovaenergy.com.au/about/>

Enova would really have benefitted – in terms of the costs and complexities it has faced in putting its offer to the public – if Australia had CSEF laws similar to those operating elsewhere in the world for such community owned businesses of this nature.

The Bill as it currently stands makes no provision for crowd sourced equity raising to be considered in cases of social enterprises and community ownerships, such as the above. This oversight needs to be corrected.

EOA would recommend therefore that the Bill should be aimed at encouraging small-scale investments by as wide a cross-section of any community as possible in Australia, using preferably community owned technology platforms in the process, while :

1. Serving to reduce the ‘cost and complexity’ of such offers,
2. Maximising investment safety for ordinary people making small scale equity investments into cause related community owned, social enterprises and local small businesses.
3. Enabling through reduced barriers and increased levels of support, maximum participation in CSEF by those who might be new to such business investing.

4. Focussing not just on start-ups, given that likely candidates for CSEF would also be successful small businesses seeking modest expansions.

EOA would like to thank the Government for the opportunity to participate in this important Inquiry.

EOA also supports the development of all the nine new forms of finance mentioned in the UK report linked above.

Yours sincerely

Alan Greig
Co-ordinator
Social Enterprise Legal Models Working Group
<http://www.employeeownership.com.au/social-enterprise-legal-models/> and
Board member
Employee Ownership Australia Ltd
www.employeeownership.com.au